CHICAGO'S FINANCIAL DILEMMA

REPLY OF THE CHICAGO BUREAU OF PUBLIC EFFICIENCY TO A LETTER FROM THE CHAIRMAN OF THE COMMITTEE ON FINANCE AND THE CITY COMPTROLLER ASKING CIVIC ORGANIZATIONS TO CO-OPERATE IN URGING A SPECIAL SESSION OF THE LEGISLATURE TO PROVIDE FINANCIAL RELIEF FOR THE CITY

CHICAGO BUREAU OF PUBLIC EFFICIENCY

DECEMBER, 1917

PRIOR PUBLICATIONS.

1. Method of Preparing and Administering the Budget of Cook County, Illinois. January, 1911.
2. Proposed Purchase of Voting Machines by the Board of Election Commissioners of the City of Chicago. May, 1911. (Out of Print.)
3. Street Pavement Laid in the City of Chicago: An Inquiry Into Paving Materials, Methods and Results. June, 1911. (Out of Print.)
4. Electrolysis of Water Pipes in the City of Chicago. July, 1911. (Out of Print.)
5. Administration of the Office of Recorder of Cook County, Illinois. September, 1911.
6. A Plea for Publicity in the Office of County Treasurer. October, 1911. (Out of Print.)
7. Repairing Asphalt Pavement: Work Done for the City of Chicago Under Contract of 1911. October, 1911. (Out of Print.)
8. The Municipal Court Acts: Two Related Propositions Upon Which the Voters of Chicago Will Be Asked to Pass Judgment at the Election of November 7—Vote No. October 31, 1911. (Out of Print.)
9. The Water Works System of the City of Chicago. By Dabney H. Maury. December, 1911. (Out of Print.)
10. Bureau of Streets; Civil Service Commission; and Special Assessment Accounting System of the City of Chicago. December, 1911. (Out of Print.)
11. Administration of the Office of Coroner of Cook County, Illinois. December, 1911.
12. Administration of the Office of Sheriff of Cook County, Illinois. December, 1911.
13. Administration of the Office of Clerk of the Circuit Court and of the Office of Clerk of the Superior Court of Cook County, Illinois. December, 1911.
14. The Judges and the County Fee Offices. December 19, 1911. (Out of Print.)
15. General Summary and Conclusions of Report on the Park Governments of Chicago. December, 1911.
16. The Park Governments of Chicago: An Inquiry Into Their Organization and Methods of Administration. December, 1911.
17. Offices of the Clerks of the Circuit and Superior Courts: A Supplemental Inquiry Into Their Organization and Methods of Administration. November, 1912.
18. Administration of the Office of the Clerk of the County Court of Cook County, Illinois. November, 1912.
19. Office of Sheriff of Cook County, Illinois: A Supplemental Inquiry Into Its Organization and Methods of Administration. November, 1912.
20. Growing Cost of Elections in Chicago and Cook County. December 30, 1912.
21. The Voting Machine Contract. A Protest Against Its Recognition In Any Form by the City Council of the City of Chicago. January 1, 1913.
22. The Office of the County Treasurer of Cook County, Illinois. An Inquiry Into the Administration of Its Finances with Special Reference to the Question of Interest on Public Funds. November, 1913.
23. The Nineteen Local Governments in Chicago. December, 1913.
24. The Bond Issues to Be Voted Upon April 7, 1914. March 30, 1914.
25. A Second Plea for Publicity in the Office of County Treasurer. July 9, 1914.
26. The Nineteen Local Governments in Chicago. (Second Edition.) March, 1915.
27. Unification of Local Governments in Chicago. January, 1917.
28. The City Manager Plan for Chicago. October, 1917.
29. The County Bond Issues to Be Voted Upon November 6, 1917. October 30, 1917.
30. Primary Days and Election Days as Holidays. An Instance of Governmental Absurdity and Waste. November 5, 1917.

CHICAGO'S FINANCIAL DILEMMA

REPLY OF THE CHICAGO BUREAU OF PUBLIC EFFICIENCY TO A LETTER FROM THE CHAIRMAN OF THE COMMITTEE ON FINANCE AND THE CITY COMPTROLLER ASKING CIVIC ORGANIZATIONS TO CO-OPERATE IN URGING A SPECIAL SESSION OF THE LEGISLATURE TO PROVIDE FINANCIAL RELIEF FOR THE CITY

CHICAGO BUREAU OF PUBLIC EFFICIENCY

315 PLYMOUTH COURT

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REPLY TO A LETTER URGING A SPECIAL SESSION OF THE LEGISLATURE TO PROVIDE FINANCIAL RELIEF FOR THE CITY OF CHICAGO

Chicago, December 12, 1917.

Hon. JOHN A. RICHERT, *Chairman, Committee on Finance,*
Hon. EUGENE R. PIKE, *City Comptroller,*
City Hall, Chicago.

GENTLEMEN:—

Replying to your letter of November 20, 1917, I am directed by the Trustees of the Chicago Bureau of Public Efficiency to say that the Bureau stands ready to co-operate with the City Council and other City authorities in requesting Governor Lowden to call a special session of the Legislature whenever it is shown that such a session is necessary to provide financial relief for the City and an adequate program for relief has been outlined.

In the limited time available since the receipt of your letter, it has been impossible for the Bureau to make a complete and detailed investigation either of the immediate situation or of the developments which have led up to it. However, from a preliminary survey it appears that the City is facing a serious deficit in its corporate fund. It is equally apparent that this deficit is not due to any decrease in revenue up to the present time, but that it is to be attributed entirely to the practice that has prevailed in recent years of permitting appropriations and expenditures to exceed income.

In 1912 and 1913 there was a shortage in revenue in

the corporate fund on account of a court decision and pending the enactment of remedial legislation it was found practicable to curtail expenditures so that during the year 1913 revenue exceeded expenditures by approximately $1,000,000. At the close of that year the surplus was $4,500,000.

During each of the years 1914, 1915, and 1916, the City's revenue averaged about $2,000,000 more than in 1913. The greatest increase during either of these three years came in 1916, when the amount exceeded that of 1913 by $3,150,000 and that of 1915 by about $1,800,000.

Definite figures for 1917 are not available, but there is no reason for thinking that the City's income will be reduced materially, if at all, below what it was in 1916; in other words, the 1917 revenue will exceed that of 1913 by more than $3,000,000 and that of 1915 by nearly $2,000,000. There will be a loss of approximately $550,000 during the current year on account of the smaller number of saloon licenses but this will be more than offset by an increase in taxation due to increased property valuations; by special taxes to cover expenditures for employes' pension funds and for playground purposes; and by $340,000 diverted from the special assessment unclaimed rebate fund authorized by the last Legislature and used in paying for public improvements. These items in the aggregate will exceed the loss through saloon licenses by approximately $250,000.

The large increase in the revenue of 1916 and of 1917 as compared with that of 1915 and prior years is due to a considerable extent, either directly or indirectly, to the authorization by the Legislature of additional special taxes for police, firemen's and municipal employes' pension funds, for judgments and for playground purposes;

and also to the use of the water fund and the special assessment unclaimed rebate fund for general corporate purposes. The authorization of the special taxes above mentioned accounts in part for the tax rate of the City increasing from $1.66 in 1913 to $1.97 in 1916.

Prior to 1916, the police and firemen's pension funds received certain portions of the fire insurance tax; of saloon and other licenses; and of municipal court fines. Beginning in 1916, these pension funds were given a direct property tax in place of the license and other moneys previously received, which then reverted to the corporate fund and thereupon became available for general purposes. The net gain to the corporate fund through the 1915 pension legislation was approximately $425,000 in 1916, and further legislation which became operative in 1917 providing a direct tax for the other municipal employes' pension fund and modifying the firemen's pension law will increase this amount to nearly $625,000 in 1917.

Prior to 1916, it had been the policy of the City to pay judgments against it for the most part by the issuance of bonds. The practice was to permit unpaid judgments to accumulate until they aggregated a substantial sum and then to ask for a bond issue with which to pay them. The last attempt to secure a bond issue for this purpose occurred in 1914. In commenting on the situation at that time, the Bureau in a statement issued March 30, 1914, said:

> "As for the bonds which it is proposed to issue for the payment of judgments, it is bad policy to encourage this method of meeting liabilities which should really be paid out of current revenues. Personal injury claims, for instance, are and should be regarded as current expenses. If there are judgments that grow out of contracts for permanent im-

> provements, these can be paid by means of the bonds already authorized. To pay other judgments out of bond proceeds is merely to encourage litigation in order to make current funds available for other purposes.''

The proposed bond issue here referred to was defeated by a referendum vote. In 1915, however, the City authorities went to the Legislature and secured an amendment to the tax limitation law (commonly known as the Juul law) authorizing a special tax for the payment of judgments in addition to the tax for other corporate purposes. The effect of this amendment is to give judgments substantially the same status as bonds for tax levying purposes. The principal difference is that before bonds can be issued and a tax for their payment levied, the bond proposition must be approved by a referendum vote, while no referendum is required as a condition precedent to the levying of a tax for the payment of judgments. In 1916 the tax rate for judgments was about 3½ cents, and the amount produced thereby was approximately $358,000.

A development in connection with this special judgment tax which has come to the attention of the Bureau since the receipt of your letter relates to the indebtedness of the City to the Sanitary District. We are informed that this indebtedness, including interest, now amounts to about $4,540,000. Of this amount approximately $3,000,000, including about $320,000 for electric current, is now due. More than $1,000,000 of this sum has already been reduced to judgments. One million five hundred thousand dollars not yet due will mature in April, 1918. We understand that the authorities of the City and the Sanitary District are considering a plan under which, if carried out, the Sanitary District will be permitted to

secure further judgments covering the entire amount due and to become due, with a view to securing the payment of the same through a tax levy under the provisions of the Juul law above referred to. This plan, if consummated, will ultimately add about 45 cents to the tax rate, in addition to the increase of 70 cents hereinafter mentioned which is proposed for the purpose of meeting the requirements of the year 1918.

The playground tax of not to exceed 5 cents was authorized by the last session of the Legislature, but did not become operative in time for the City to take advantage of it in 1917 to the extent of the entire appropriation for playground purposes. Indirectly this tax, by releasing for other purposes a part of the corporate fund heretofore expended on playgrounds, will increase that fund by about $100,000 in 1917 and this amount will probably be increased in succeeding years.

The water fund is a special fund which can lawfully be used only for purposes properly related to the water works business. During the past two years a sum varying from $450,000 to $500,000 a year has been expended from this fund for the operation and maintenance of sewage pumping stations and the sewer system. This expense had been previously borne by the corporate fund. It is the opinion of the Bureau that the cost of operating and maintaining the sewer system is not properly chargeable to the water fund and that the use of the fund for such purposes is a violation of both the spirit and the letter of the law defining the purposes for which the water fund may be used.

The special assessment unclaimed rebate fund was authorized by the last session of the Legislature. Unclaimed special assessment rebates amounting to a large

sum have accumulated in the city treasury, and the City is authorized to set them aside in a special fund to be used for certain specific purposes. The aggregate amount of these rebates is not known, but at the time the matter was before the Legislature it was estimated at approximately $1,250,000. The chief argument advanced in support of this piece of legislation by its sponsors was that it would provide a fund to be used to pay special assessment bonds as they matured, the fund to be subsequently reimbursed as the assessments were collected from property owners. It was said that under this arrangement contractors would do special assessment work at lower prices, which would be of material advantage to property owners. The Act as passed, however, permits the absolute expenditure of the fund for the payment of the general public's share of special assessment work, which heretofore has been paid from the corporate fund, and during the six months that the law has been in effect about $340,000 has been used in this way. Of course if this practice is continued it will not be long until the fund is exhausted, and the principal purpose for which it was supposedly authorized—the prompt payment of special assessment bonds—will be defeated.

Another Act passed by the last Legislature relating to special assessments promises to increase the corporate fund by about $250,000 annually. For practical purposes the Act was inoperative in 1917 but this revenue will be available in 1918, provided some method is devised for anticipating its collection.

While, as above pointed out, the revenue of the past four years has been about $2,000,000 annually more than in 1913, during the same period expenditures have averaged approximately $5,600,000 more annually than during 1913. This has operated to exhaust entirely the sur-

plus of $4,500,000 which existed four years ago and to leave the City facing an actual deficit at the close of this year reliably estimated at from $750,000 to $1,000,000, in addition to its indebtedness due the Sanitary District amounting to $3,000,000. As a result of this situation the Bureau is informed that the City is having difficulty in meeting its current payrolls and that for several months contract liabilities in excess of $50 have not been paid. This method of meeting payments to contractors and others furnishing supplies to the City may have much to do with the high prices which it pays.

In connection with this matter it will be recalled that in 1913 a bond issue of $2,880,000 was authorized to provide a working cash fund so that the City might meet its obligations promptly and in a businesslike way. The depletion of the surplus account has not only used up entirely the proceeds of this bond sale, but has resulted in a dangerous practice in connection with the issuance of anticipation tax warrants.

As you know, the tax revenue of any given year is not collected until the succeeding year. Because of this, the City is authorized to borrow in anticipation of its collection. The law, however, expressly limits the amount to be borrowed to seventy-five per cent of the tax levy and prescribes that only moneys collected from the levy shall be used in the payment of the loan. In recent years it has been the practice to borrow from the "traction fund" and to exceed the seventy-five per cent limit. In 1915, $500,000 more than the entire amount collected from taxes was borrowed in this way, and the excess was borrowed after the City authorities were apparently in a position to approximate closely the total amount which would ultimately be collected from the tax levy. Had the law been strictly followed in repaying the loan, the "trac-

tion fund'' would have suffered a loss of $500,000. Instead of permitting this to occur, however, $500,000 of 1917 revenue was used to take up the loan, and thus restore the ''traction fund.''

The foregoing figures do not include expenditures from bond funds, the vehicle tax fund, or the water fund, except in so far as the latter has been diverted to general corporate uses. In this connection also attention might be directed to the fact that since the close of 1914 expenditures from the water fund have exceeded the revenue of that fund by approximately $4,000,000, thus exhausting the surplus of that amount which was on hand three years ago.

It must be obvious that the practice year after year of permitting the City's expenditures to exceed its income will inevitably lead to disastrous results.

Your letter is entirely silent upon these conditions and no suggestion is made therein as to what means are going to be taken to meet the current deficit. Presumably the overdue obligations, except those to the Sanitary District, will be carried over to next year as unpaid bills and thus add to the embarrassments described in your letter. As has been already pointed out, if the Sanitary District indebtedness is handled by allowing judgments to be taken upon it which may ultimately be paid through a special tax levy, the amount of such levy will be in addition to the seventy cent increase in the tax rate which is now proposed to meet the 1918 situation.

Referring to the specific matters mentioned by you, we understand that the shortage anticipated in 1918, unless legislative relief is granted, will result in part from a loss in revenue and in part from certain demands for increased expenditures.

The loss of revenue mentioned will ostensibly be due to two causes: (a) a reduction in saloon licenses, and (b) certain losses in taxes due to court decisions.

To speak of these court decisions as resulting in a loss in taxes is somewhat misleading. If we understand the situation correctly, the City in 1916 attempted to increase its tax revenue by persuading the County Clerk to act upon a new interpretation of the tax limitation laws and to increase without specific legislative authority the tax rate which had previously been used in extending the City's tax for corporate purposes. A number of large taxpayers refused to pay the increase thus levied, and were sustained in their refusal by the lower court. Thousands of small taxpayers, however, who could not afford to contest the matter paid the increased tax, and by that procedure the City profited in the 1916 levy to the extent of between $200,000 and $300,000 to which it was not entitled if the decision of the lower court is right.

The statement that $700,000 of revenue will be lost in this way in 1918 assumes that the decision of the lower court will be followed in making the 1917 tax rate and that the County Clerk will refuse to increase the rate as he did in 1916. But if this be true, it is scarcely a correct statement of the matter to say that the City will sustain a loss of this $700,000, which implies a reduction as compared with the amount received in some prior year, when heretofore the City has neither received such a sum nor been entitled thereto.

We understand that the estimated loss of $2,000,000 in saloon licenses is based upon the fact that approximately 900 saloons have gone out of business this year and upon an estimate that 1,100 more will do the same next year. As to the accuracy of this estimate we have no means of knowing.

Assuming it to be correct, however, a loss of this sort, as above pointed out, implies a reduction as compared with the amount received in some other year. We think, too, that the statement that there will be a loss of $2,000,000 or $2,700,000 in revenue in 1918 also fairly implies a loss in the City's revenue when considered as a whole. If this be so, may we inquire what prior year was taken as the basis of the comparison? As we view the situation, if 1916 be taken as the basis, the net loss (taking into account not only losses but also increases due to additional taxes) will be about $1,250,000; if 1917 be taken as a basis, the net loss will be about $1,450,000. If, however, 1915 (the year prior to the large increases due to the pension and other legislation above referred to) be taken as a basis, there will be a net increase of about $500,000. These figures are in substantial agreement with the Comptroller's statement to the Finance Committee that in 1918 the total revenue will be approximately $24,000,000. The foregoing figures assume that the use of the special assessment unclaimed rebate fund will be discontinued in 1918. If the City continues to use this fund as it did in 1917, when about $340,000 was expended, the above loss figures will be reduced and the gain figure will be increased accordingly. If the use of the water fund for corporate purposes, which the Bureau believes is illegal, is discontinued, the loss in revenue in 1918 as compared with that of the two preceding years will be increased approximately $500,000. But even if the use of the water fund and of the special assessment rebate fund is discontinued, the 1918 revenue will still be substantially the same as that of 1915. Of course there is a wide difference between any of these figures and the figure of $2,700,000 stated in your letter.

As to the demands upon the City for increased expendi-

tures due to increased cost of supplies and to the maintenance and operation of new functions authorized by bond issues, it will of course be conceded that the war has increased such cost and that new functions do entail additional expense for operation and maintenance. Your statement is entirely lacking in detail on these matters, however, and the Bureau is not sufficiently informed upon them to express any opinion as to the accuracy of the figures given. Referring specifically to the Municipal Pier and the waste disposal plant as illustrations of how the operation of functions authorized by bond issues depletes the City's resources, it would seem that, with fixed charges for interest on the cost of construction provided for by a separate tax levy, the Municipal Pier should at least pay ordinary operating and maintenance charges and from what data we have been able to get apparently so far the net burden on the corporate fund, if there is any, is not large. It would seem also that if the waste disposal plant were operated in an efficient and business-like way the sale of its product would be sufficient to pay at least the cost of operating and maintaining the plant. In this case, as in the case of the Municipal Pier, the interest on the bonds issued for the construction of the plant is paid from a special tax levy and does not come from the general corporate fund.

Supplementing what is said in your letter with the statement made by Alderman Richert to the legislators who met on December 7 to consider these matters, it appears that the $1,800,000 proposed for increased wages is based upon the equivalent of a ten per cent increase for all City employes. Assuming that there may be a necessity for raising salaries in some cases, we respectfully submit that any intelligent opinion as to the reasonableness of this item must be predicated upon a more de-

tailed statement respecting it. We should have some hesitancy in expressing approval of a special session of the Legislature to provide a twenty-five per cent increase in pay, as recently proposed by some judges of the Municipal Court, for the clerks and bailiffs of that court who now in practically all cases receive $1,200 a year or more, which the efficiency staff of the Finance Committee has reported is higher on the average than the rate of pay received by other City employes of a similar grade.

The need for one thousand additional policemen is apparently predicated largely upon the fact that as stated by the Chairman of the Finance Committee last week, due to war conditions, approximately 700 members of the present force are assigned to special guard duty at military supply and munitions plants and other places. The Chairman of the Finance Committee also suggested that arrangements were under consideration with the United States Government under which a military guard might be provided for some such places. Altogether aside from the financial saving involved, there are some assignments for which the military guard would seem to have a distinct advantage. The Bureau believes that the effects of such an arrangement should be thoroughly considered and exhausted in determining what increase in the police force should be made at the present time.

In this connection we desire to call attention to the communication of the General Superintendent of Police, submitted to the City Council April 18, 1917, in which he recommends reducing the number of police stations now operated. In this communication he estimates that by reducing the number of stations from 45 to 22 a saving in overhead expense aggregating approximately $850,000 annually can be made, and says that through this saving

and the reorganization of the police force, which such a consolidation would make possible, 750 additional police officers could be provided for duty on the streets. In explaining the need for more men on the streets, the Superintendent of Police said that, contrary to the prevalent idea, police stations themselves do not afford protection to citizens; that the only effective manner in which police protection is furnished is by placing policemen on the streets. He expressed the opinion that the City should not operate more than 22 stations and said that it was the tendency in many large cities of this country to reduce the number of stations. Notwithstanding this, we understand that no action has been taken upon his recommendation.

In explaining the failure to make the reduction thus recommended, Alderman Richert stated to the Finance Committee at its meeting of December 10 that whenever it was proposed to discontinue the operation of a station the citizens in the neighborhood of the station protested. In view of the statement of the Superintendent of Police as to the lack of protective value of police stations themselves to a community, such protests would seem to have little merit, and we are disposed to accept as a more reasonable explanation of the matter a statement made by the Superintendent of Police himself at a prior meeting of the Committee in which he said in effect that the consolidation proposed would eliminate the necessity for many commanding officers and would disturb a number of "soft snaps" in the police department.

The need for additional firemen we understand is occasioned in part at least by the operation of the double platoon ordinance. The Bureau recognizes that the merits of the double platoon system have raised one of the most highly controverted subjects in the City Hall,

and that involved in this controversy is the relative efficiency of the fire department under the present system as compared with the former plan of operation. The Bureau knows of no well authenticated opinion upon this phase of the matter. Certainly the Bureau has none. But the Bureau recalls that when the double platoon ordinance was before the City Council its advocates in urging its passage insisted that under it the efficiency of the department could be maintained without adding to the force.

The proposition to continue paying City employes in the military service of the country the difference between their salaries as soldiers and their salaries when in the City's employ raises an important question of public policy. Without expressing an opinion upon the matter, the Bureau suggests that there are several phases of the situation which should be considered in coming to a conclusion. Should this policy apply to men without dependents as well as to men who have dependents? How far, if at all, should the fact that the government provides food and clothing be taken into account in adjusting differences in salary? To what extent should the financial relief for dependents, which the government itself has made provision for since the present policy of the City was inaugurated, influence the amount to be paid by the City? Incidentally, we are informed that the present expenditures for this purpose are aggregating only about $20,000 a month. Unless the number of such employes is to be greatly increased within the next few months, the estimate of $500,000 for that purpose next year would seem to be rather high.

Considering the foregoing demands upon the City as a whole, it is perhaps well to point out that so far as it may be found necessary to meet them, the increased cost will

be offset to a limited degree—perhaps $350,000—by the saving which will be effected in 1918 through the operation of the central registration Act governing registrations for elections and the special assessment collection Act passed by the last Legislature. Undoubtedly there are also other ways in which economies in present expenditures can be effected.

The Bureau respectfully submits that before a special session of the Legislature is called and before the Bureau and other civic organizations may properly be expected to join in the request for such a session, the City authorities should furnish more specific information than is contained in any statement yet put forth as to the necessity for legislative relief. Civic organizations do not serve the public to advantage by blindly joining—or refusing to join—in a call for a session of the Legislature to raise taxes, without definite information as to the necessity for new laws and the nature and extent of the relief measures to be sought. Such organizations ought not to be asked to function in that way. Moreover, the public is entitled to know definitely how great is the need and to what extent, if at all, the possibility of curtailing expenses, of rearranging appropriations, and of increasing efficiency in the expenditure of present funds has been considered with a view to meeting existing conditions without immediate relief from the Legislature. Of course, nothing should be done which would endanger the health and safety of the City.

The present state of the City's financial affairs is not new. War conditions in adding to the cost of government have merely accentuated the situation. Months ago the need for a comprehensive survey of City finances was pointed out and a resolution providing therefor introduced in the City Council. No action has been taken in

the matter, however. The situation is now too acute to await the completion of such a survey, but upon such an investigation as the City authorities can make it may be found that the necessities are not so great as has been supposed, and that by curtailing expenses as was done under somewhat similar circumstances in 1912 and 1913 emergency legislation can be avoided.

Assuming on the other hand that immediate legislative relief is found necessary, the Bureau believes that before a session of the Legislature is called the public should be given definite information as to the nature and extent of the relief to be sought.

The position taken by Governor Lowden at the meeting between himself and the delegation of City officials who called upon him with reference to this matter on November 30, when he said that the City of Chicago should formulate a specific program, embodied in a bill or bills, and that it should make a showing of public support for the program before expecting him to call the Legislature in special session, is eminently sound.

Any program submitted should include provisions which will give assurances for permanent improvement in methods, to the end that a similar condition in the City's financial affairs may not be expected to develop again within a few years. Chicago cannot go on forever meeting recurring financial crises by the simple expedient of authorizing higher taxes. The Bureau believes that in the present situation the City authorities should do more than merely ask for large additional taxing power; that they should ask and that the public should demand the reorganization of the government along lines designed to insure greater efficiency and economy than is now practicable. Disinterested public opinion is clear

upon the point that something of this sort needs to be done. In this connection the Bureau desires to urge the consideration of the plan of reorganization embodied in its recent report entitled "The City Manager Plan for Chicago," which carries the draft of a bill representing much thought and study. The bill provides among other things for reducing the number of city elections, which would mean large money savings, and for electing aldermen on non-partisan lines, propositions which already have received the approval of the City Council.

Referring to the proposal which has been made for an additional special tax of 70 cents for the maintenance of the police department, it would seem that even if it may be found necessary to increase taxes to some extent, a seventy-cent increase, which would raise the present tax rate from $1.97 to $2.67, is probably excessive. But aside from this, the proposition to provide a special tax for the police department and thus to establish the practice of segregating the City's general corporate revenue into special funds is fundamentally wrong. The plan for a special police tax was presented to the legislators at their meeting last week on the ground of expediency. The Corporation Counsel explained that to increase the general corporate tax rate would operate to restrict the taxing power of the Sanitary District and of the park boards, and that the proposed legislation would avoid this embarrassment. The Corporation Counsel may be right in this assumption. However, the recent pension laws contain the same tax provisions as are contained in the proposed police act, and for the purpose of determining tax rates the County Clerk, acting upon what he considers competent legal advice, has construed the language of the pension laws in a manner which, if applied to the proposed police act, would produce the very results

which the Corporation Counsel seeks to avoid. If the proposed police act shall be passed, the courts will undoubtedly be called upon to determine whether the Corporation Counsel or the County Clerk is right in his interpretation, but it is by no means certain that the proposed police law would prove the measure of expediency which is prophesied for it.

In conclusion, we wish again to assure you that the Chicago Bureau of Public Efficiency is ready to co-operate with you and your associates in requesting a special session of the Legislature whenever a convincing and authoritative statement has been made by the responsible City officials as to just what amount of additional revenue is actually required by the City, for just what it is to be expended, and just how it is to be raised. Why should not the City's budget be formulated now as the basis for such a statement?

Respectfully yours,

HARRIS S. KEELER,

Director.

LETTER TO WHICH THE FOREGOING COMMUNICATION IS A REPLY

November 20, 1917.

CHICAGO BUREAU OF PUBLIC EFFICIENCY
315 Plymouth Court, Chicago.

GENTLEMEN:—

At a meeting of the City Council November 5, a resolution was passed directing the Committee on Finance to wait upon his Excellency, Governor Lowden, to request that a special Session of the State Legislature be called to give the City necessary financial relief.

The City of Chicago will face a shortage in its corporate revenues for 1918, due to the failure of renewal of licenses of a large number of saloons and other miscellaneous establishments. The loss on this account to the City will undoubtedly reach $2,000,000. This shortage may be increased by a loss in the proceeds from taxation of more than $700,000 unless the findings of the lower court are reversed by the Supreme Court.

Due to special conditions arising on account of the war situation, the Department of Police has detailed approximately 500 patrolmen to special purposes, and that department has appealed to the City Council for 1,000 additional patrolmen for the year 1918. These patrolmen are paid but $75 per month for the first year's service, $83.33 per month for the second year's service and $110.00 per month thereafter. It will be impossible in the future to obtain competent men to serve as patrolmen at these rates of pay. There is also a necessity for an increase in the fire fighting forces of the City. It is necessary also for the City to revise its schedules of pay for firemen

in order to get competent men to serve in this department in the future. The health protection forces of the City should also be augmented by additional employes to meet conditions due to a rapidly increasing population. These increases are imperative for the adequate protection of the City.

Following the action taken by many of the large private employers of the locality in generally increasing the wages of employes to meet the necessities of life due to changed conditions, the City's employes have generally appealed to the City Council for increased rates of pay. Materials and supplies used in the operation and maintenance of the City's activities have increased beyond expectation.

During the past several years the voters of the City of Chicago have authorized various bond issues for adding to or creating new municipal functions. No provision was made, however, for extra revenue to meet the additional expense incurred for the operation and maintenance in connection with these new functions. The Municipal Contagious Disease Hospital, the Municipal Pier, the extension and rehabilitation of the Street Lighting System and the Waste Disposal activities are examples of these. The added expense due to their operation and maintenance has tended to deplete the City's already meager resources.

Briefly summarized the estimated losses of revenue to the City and the estimated increased cost of operation are as follows:

Loss in licenses	$2,000,000
Loss in taxes, through decisions of lower court	700,000
Increased cost of supplies for operation and maintenance	400,000
Demands for increased wages	1,800,000

Extra cost of maintenance and operation of new functions authorized by bond issues	600,000
Additional police	1,000,000
Additional firemen	500,000
Salaries of 600 enlisted city employes.	500,000
Total	$7,500,000

In the face of all the foregoing demands, the revenue of the City from taxation has only increased within the past three years on an average of about $187,000 per year.

Unless financial relief is forthcoming the City Comptroller and the City Council will be forced, not only to deny any added municipal service which is imperatively needed, but will be required to reduce present inadequate police, fire and health protection service by twenty per cent; to reduce garbage, ash and street cleaning service by forty per cent; to eliminate all the repairs and maintenance of public works and buildings chargeable to the corporate fund; and seriously curtail all administrative functions. These reductions will have serious effects on the well being of this community.

Your earnest co-operation is solicited in assisting the City Council in its appeal to His Excellency, Governor Lowden, the State Legislature, and especially to the Senators and State Representatives from the various districts in Cook County, and to urge upon them the necessity of a Special Session, to be held as soon as possible, to give the City a remedial measure that will offer financial relief.

Yours very truly,

(Signed) JOHN A. RICHERT,
Chairman, Committee on Finance.

(Signed) EUGENE PIKE,
City Comptroller.